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7  
8 **BEFORE THE**  
**CALIFORNIA BOARD OF ACCOUNTANCY**  
**DEPARTMENT OF CONSUMER AFFAIRS**  
9 **STATE OF CALIFORNIA**

10 In the Matter of the Accusation Against:

Case No. AC-2009-18

11 ALEX D. DOMANTAY & ASSOCIATES  
12 2750 Medlow Avenue  
Los Angeles, CA 90065

**ACCUSATION**

13 Certified Public Accountancy Partnership  
14 Certificate No. 6795

15 ALEJANDRO DORIA DOMANTAY  
#65 Bgy. Alacan, Malasiqui Pangasinan,  
16 Philippines 07545

17 Certified Public Accountancy Certificate  
No. 21363

18  
19 Respondents.

20  
21 Complainant alleges:

22 **PARTIES**

23 1. Patti Bowers (Complainant) brings this Accusation solely in her official  
24 capacity as the Executive Officer of the California Board of Accountancy (Board), Department  
25 of Consumer Affairs.

26 2. On or about June 19, 2000, the Board issued Certified Public  
27 Accountancy Partnership Certificate Number 6795 to Alex D. Domantay & Associates  
28 (Respondent A.D.A.). The California Board of Accountancy records list Alex D. Domantay

(holder of Certified Public Accountant Certificate No. 21363) and Agapito D. Domantay (holder of Certified Public Accountant Certificate No. 34974) as partners in Alex D. Domantay & Associates. The Certified Public Partnership Certificate expired on July 1, 2004 and is currently in delinquent status for failure to pay the renewal fee required by California Business and Professions Code section 5070.5 and file the renewal form.

3. On or about April 25, 1975, the Board issued Certified Public Accountant Certificate Number 21363 (Certificate) to Alejandro Doria Domantay (Respondent Domantay). The Certified Public Accountant Certificate was expired and not valid during the period of February 1, 2004 through April 25, 2004. Effective April 26, 2004, the Certificate was renewed and in active status through January 31, 2006 following receipt of the renewal fee and declaration of compliance. The Certificate was renewed for the period February 1, 2006 through January 31, 2008 but placed in inactive status for failure to submit proof of continuing education credits. The Certificate expired and was not valid for the period February 1, 2008 through April 22, 2008. Effective April 23, 2008, the Certificate has been renewed through January 31, 2010 but placed in inactive status for failure to submit proof of continuing education requirements.

## JURISDICTION

4. This Accusation is brought before the Board under the authority of the following laws. All section references are to the Business and Professions Code unless otherwise indicated.

5. Section 5050 states:

"(a). Except as provided in subdivision (b) and (c) of this section, in subdivision (a) of Section 5054, and in Section 5096.12, no person shall engage in the practice of public accountancy in this state unless the person is the holder of a valid permit to practice public accountancy issued by the board or a holder of a practice privilege pursuant to Article 5.1 (commencing with Section 5096.).

"(b) Nothing in this chapter shall prohibit a certified public accountant, a public accountant, or a public accounting firm lawfully practicing in another state from temporarily

1 practicing in this state incident to practice in another state, provided that an individual providing  
2 services under this subdivision may not solicit California clients, may not assert or imply that the  
3 individual is licensed to practice public accountancy in California, and may not engage in the  
4 development, implementation, or marketing to California consumers or any abusive tax  
5 avoidance transaction, as defined in subdivision (c) of Section 19753 of the Revenue and  
6 Taxation Code. A firm providing services under this subdivision that is not registered to practice  
7 public accountancy in California may not solicit California clients, may not assert or imply that  
8 the firm is licensed to practice public accountancy in California, and may not engage in the  
9 development, implementation, or marketing to California consumers or any abusive tax  
10 avoidance transaction, as defined in subdivision (c) of Section 19753 of the Revenue and  
11 Taxation Code. This subdivision shall become inoperative on January 1, 2011.

12           "(c) Nothing in this chapter shall prohibit a person who holds a valid and current  
13 license, registration, certificate, permit, or other authority to practice public accountancy from a  
14 foreign country, and lawfully practicing therein, from temporarily engaging in the practice of  
15 public accountancy in this state incident to an engagement in that country, provided that:

16           (1) The temporary practice is regulated by the foreign country and is performed  
17 under accounting or auditing standards of that country.

18           (2) The person does not hold himself or herself out as being the holder of a valid  
19 California permit to practice public accountancy or the holder of a practice privilege pursuant to  
20 Article 5.1 (commencing with Section 5096)."

21           6.       Section 5100 of the Code states in pertinent part:

22           "After notice and hearing the board may revoke, suspend, or refuse to renew any  
23 permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5  
24 (commencing with Section 5080), or may censure the holder of that permit or certificate for  
25 unprofessional conduct that includes, but is not limited to, one or any combination of the  
26 following causes:

27           ....

28           "(c) Dishonesty, fraud, gross negligence, or repeated negligent acts committed in

1 the same or different engagements, for the same or different clients, or any combination of  
2 engagements or clients, each resulting in a violation of applicable professional standards that  
3 indicate a lack of competency in the practice of public accountancy or in the performance of the  
4 bookkeeping operations described in Section 5052.

5 ....

6 "(g) Willful violation of this chapter or any rule or regulation promulgated by the  
7 board under the authority granted under this chapter."

8 7. Section 5062 provides that a licensee shall issue a report  
9 which conforms to professional standards upon completion of a compilation, review or audit of  
10 financial statements.

11 8. Section 5097, subdivision (e), states:

12 "Audit documentation shall be maintained for a minimum of seven years which  
13 shall be extended during the pendency of any board investigation, disciplinary action, or legal  
14 action involving the licensee or the licensee's firm. The board may adopt regulations to establish  
15 a different retention period for specific categories of audit documentation where the board finds  
16 that the nature of the documentation warrants it.

17 9. Section 5107, subdivision (a), states:

18 "The executive officer of the board may request the administrative law judge, as  
19 part of the proposed decision in a disciplinary proceeding, to direct any holder of a permit or  
20 certificate found to have committed a violation or violations of this chapter to pay to the board  
21 all reasonable costs of investigation and prosecution of the case, including, but not limited to,  
22 attorneys' fees. The board shall not recover costs incurred at the administrative hearing."

23 10. California Code of Regulations, title 16, section 58, provides that  
24 licensees engaged in the practice of public accountancy shall comply with all applicable  
25 professional standards, including but not limited to generally accepted accounting principles and  
26 generally accepted auditing standards.

27 11. California Code of Regulations, title 16, section 87, subdivision (b) states:

28 "(b) Government Auditing Continuing Education Requirement.

1 A licensee who engages in planning, directing, conducting substantial portions of field work, or  
2 reporting on financial or compliance audits of a governmental agency shall complete 24 of the 80  
3 hours required pursuant to subsection (a) in the areas of governmental accounting, auditing or  
4 related subjects. This continuing education shall be completed in the same two-year license  
5 renewal period as the report is issued. A governmental agency is defined as any department,  
6 office, commission, authority, board, government-owned corporation, or other independent  
7 establishment of any branch of federal, state or local government. Related subjects are those  
8 which maintain or enhance the licensee's knowledge of governmental operations, laws,  
9 regulations or reports; any special requirements of governmental agencies; subjects related to the  
10 specific or unique environment in which the audited entity operates; and other auditing subjects  
11 which may be appropriate to government auditing engagements. A licensee who meets the  
12 requirements of this subsection shall be deemed to have met the requirements of subsection (c)."

13 12. California Code of Regulations, title 16, section 94 states:

14 "Failure to comply with these continuing education rules by a licensee engaged in  
15 public practice, as defined in Business and Professions Code Section 5051, constitutes cause for  
16 disciplinary action under Section 5100.

17 **FIRST CAUSE FOR DISCIPLINE**

18 (Gross Negligence/Repeated Negligent Acts)

19 13. Respondents are subject to discipline pursuant to section 5100,  
20 subdivision (c) and California Code of Regulations, title 16, section 58, in that Respondents  
21 performed an audit of an entity that contained departures from Generally Accepted Auditing  
22 Standards and Generally Accepted Government Auditing Standards. The specific acts and  
23 standards of practice that were departed from, and/or, violated, which collectively constitute  
24 gross negligence and repeated negligent acts are as follows:

25 **Los Angeles Alumni Chapter-Delta Sigma Theta Sorority, Inc. Head Start/Preschool**

26 Respondents performed an audit of Los Angeles Alumni Chapter-Delta Sigma  
27 Theta Sorority, Inc. Head Start/Preschool (Delta Sigma Theta Sorority) for fiscal year ending  
28 June 30, 2003. Delta Sigma Theta Sorority, Inc. was a nonprofit organization operated to

1 provide complete childcare services to low income families, emphasizing a quality education as  
2 well as a nutrition program for children. The audit of Delta Sigma Theta Sorority, Inc. contained  
3 the following departures:

4 **Auditor's Reports**

5 (A.) Respondents issued an auditor's report which stated an unqualified  
6 opinion with respect to the subject financial statements while required disclosures under  
7 generally accepted accounting principles were omitted for significant cash balances and property  
8 and equipment as follows:

9 1. The financial statements did not disclose the methods and  
10 significant assumptions used to estimate fair value of cash in the amounts of \$600,149 and  
11 \$797,751, nor did it disclose all significant concentrations of credit risk, such as applicable  
12 thresholds related to FDIC insurance. (Financial Accounting Standards (FAS) Nos. 117, 107;  
13 American Institute of Certified Public Accountants (AICPA), Generally Accepted Auditing  
14 Standards (GAAS) Sections 431.03, 508.35, 508.36, 508.41.)

15 2. Property and Equipment was reported in the amount of \$1,036,202  
16 with no corresponding accumulated depreciation/depreciation expense. (FAS No. 93; AICPA,  
17 Accounting and Audit Guide Not-for-Profit Organizations (AAG-NPO), Sections 9.07, 9.08,  
18 9.14, 14.07; GAAS Sections 431.03, 508.35, 508.36, 508.41.)

19 (B.) Respondents issued an independent auditor's report which stated an  
20 unqualified opinion with respect to compliance applicable to the major federal programs  
21 described in Office of Management and Budget (OMB) Circular A-133, yet their audit work  
22 papers failed to evidence that the procedures related to the 14 federal compliance requirements  
23 for the two major federal programs were in fact performed. OMB Circular A-133, Subpart E,  
24 Sections (a) (d); AICPA Professional Standard AAG-SLA, Sections 5.03, 5.06, 8.17, 8.18;  
25 AICPA Professional Standard AU Sections 801, 230.02; Government Auditing Standards, 1994  
26 Revision, Section 4.37.)

27 (C.) Respondents failed to document and test internal control over compliance  
28 for the two major federal programs. (OMB Circular A-133, Subpart E, Sections (a), (c); AICPA

1 Professional Standard AAG-SLA, Sections 5.03, 5.06, 8.17, 8.18; AICPA Professional Standard  
2 AU Sections 801, 230.02; Government Auditing Standards, 1994 Revision, Sections 4.22, 4.37.)

3 **Audit Workpapers**

4 (D.) Respondents failed to conduct a materiality determination or perform a  
5 written audit program for the compliance portion of the Delta Sigma Theta Sorority, Inc audit.  
6 (AICPA Professional Standard AAG-SLA, Sections 6.19, 8.13; AICPA Professional Standard  
7 AU Section 311.05.)

8 (E.) The management representation letter obtained by Respondents failed to  
9 address the federal funds in that it did not address the federal award programs, compliance with  
10 federal requirements, or identify known instances of noncompliance. (AICPA Professional  
11 Standard AAG-SLA, Section 8.69.)

12 **Other Audit Issues**

13 (F.) Respondents did not have a peer review within three years of their audit of  
14 Delta Sigma Theta Sorority, Inc. (Government Auditing Standards, 1994 Revision, Section 3.33,  
15 AICPA Professional Standard, AU Section 161.02.)

16 (G.) Respondents used obsolete professional materials to perform their audit of  
17 the Delta Sigma Theta Sorority, Inc. (AICPA Professional Standard, AU Section 150.03.)

18 (H.) Respondents represented in their independent auditor's report that they  
19 conducted the Delta Sigma Theta Sorority, Inc. audit in accordance with the standards applicable  
20 to financial audits contained in Governmental Auditing Standards. In fact, Respondent  
21 Domantay failed to comply with the continuing education requirements required by those  
22 standards. (Government Auditing Standards, 1994 Revision, Sections 3.6, 3.8.)

23 **SECOND CAUSE FOR DISCIPLINE**

24 (Violation of Professional Standards)

25 14. Respondents are subject to discipline pursuant to section 5100,  
26 subdivision (g) and 5062, in conjunction with California Code of Regulations, title 16, section  
27 58, in that Respondents issued auditor's reports that failed to conform to professional standards,  
28 as more fully discussed in paragraph 13 above.

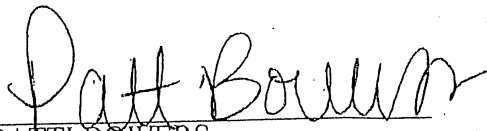




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4. Taking such other and further action as deemed necessary and proper.

DATED: June 22, 2009

  
PATTI BOWERS  
Executive Officer  
California Board of Accountancy  
Department of Consumer Affairs  
State of California  
Complainant

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